

Columbia Regional Airport



Connecting To The Future

What We'll Talk About...



- The current status of scheduled air service at Columbia...
- The potential changes that may take place in the airline industry...
- How these changes may affect Columbia...
- The alternatives that Columbia has to strengthen current service and investigate additional service.

Hard Realities About Air Service

- The issue is not “air service” – it’s **access** from/to the rest of the world
- Access is a matter of flights to an airline connecting hub, on the airline brand operating the connecting hub – e.g., Delta to Memphis
- Columbia (as with most smaller cities) has balkanized air traffic - no one destination can support flights – the aggregation of an airline hub is needed
- The days of different airlines connecting to each other ended 25 years ago.
- With smaller airports – it’s use it more or lose it eventually.
- There are not many airlines – few, actually. Options for Columbia are clearly identifiable

Let's Get To Know The Airline Industry

- Carriers are not expanding...
- Airline fleets are evaporating from the bottom up – economics are getting rough for turboprops and “regional jets.”
- The number of airline systems has shrunk materially in the last 20 years
- For Columbia, the objective is having access to/from the rest of the world
- The distance from the airline hub is critical to the viability of air service. The farther away, the more expensive to fly, and the more passengers required.

Fast Forward To Year 2020

- **Passenger growth slow– up 12% from today - to 517.6 million**
- **Enplanements: up @ 10% to 799.1 million – less connections from rural airports**
- **Fleets: Smallest jet airliner: @ 100 seats**
- **No 50-seat jets are left – they are all run out**
- **Traffic is concentrating into fewer airports**
- **“Local air service” not always at the local airport**
- **Regionalization of access**
- **Columbia Is Currently Well-Postured – but there are clouds**

There Is No Airline Store...

1983

Consumers could book & buy on at least 21 large jet operator brands, plus over two dozen independent regional airline brands.

Majors	Regionals
AIR CAL	AIR ILLINOIS
ALASKA	AIR MIDWEST
AMERICA WEST	AIR NEW ORLEANS
AMERICAN	AIR OREGON
CONTINENTAL	AR WISCONSIN
DELTA	ASA
EASTERN	ASPEN
FRONTIER	ATLANTIS
MIDWAY	BAR HARBOR
NEW YORK AIR	BRITT
NORTHWEST	CASCADE
OZARK	CHAPARRAL
PAN AM	COMAIR
PIEDMONT	IMPERIAL
PSA	MALL
REPUBLIC	MESA
SOUTHWEST	METRO
TWA	MIDSTATE
UNITED	NEW AIR
US AIRWAYS	PBA
WESTERN	PLIGRIM
	PRECISION
	RIO
	ROCKY MOUNTAIN
	ROYALE
	SKYWEST

Not a complete list.

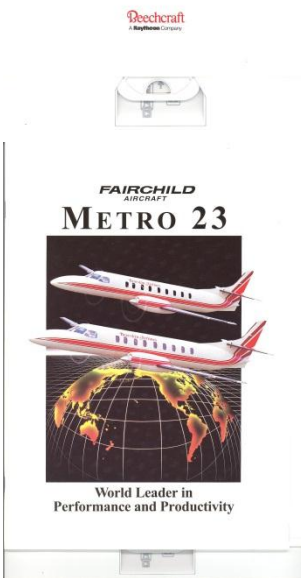
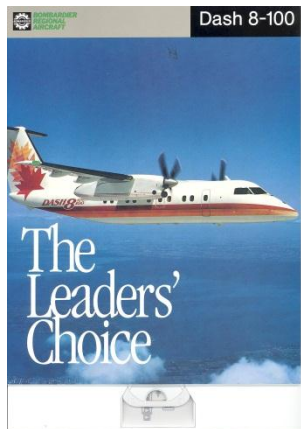
2012

Today, airports can turn to just ten large jet operators, and none of the regionals who were around in 1983 are in the retail airline business.

Majors	Regionals
AIR CAL	
ALASKA	
AMERICA WEST	
AMERICAN	
CONTINENTAL	
DELTA	
EASTERN	
FRONTIER	
MIDWAY	
NEW YORK AIR	
NORTHWEST	
OZARK	
PAN AM	
PIEDMONT	
PSA	
REPUBLIC	
SOUTHWEST	
TWA	
UNITED	
US AIRWAYS	
WESTERN	
jetBLUE	
SPIRIT	

Small Airlines Are Disappearing

Entire Fleet Categories Have Disappeared



DHC-6 Twin Otter

The main differences between the series are summarized below:

VERSION	119/500	300
ENGINE	PT6A-35	PT6A-35
MAXIMUM TAKEOFF WEIGHT (MTOW)	11,900	12,000
MAX. CRUISE SPEED (KTS)	200	200
MAX. CRUISE SPEED (MPH)	370	370
MAX. ALTITUDE (FT)	14,000	14,000
MAX. CLIMB RATE (FT/MIN)	4,000	4,000
WINGSPAN (FT)	35.0	35.0
WINGSPAN (M)	10.7	10.7
WING LOADING (LBS/FT ²)	28.0	28.0
WING LOADING (KG/M ²)	18.0	18.0

Not a complete list.

The Service Bar Is Up...



1990: Beech 1900C - \$750/hour



1995: SF-340 - \$950/hour. Today: @ \$1,800+



2011: CRJ/ERJ - @ \$4,500 - \$4,700/ hour



2020: E-190 - @ \$7,500/hour

These Are Shrinking

They are already being retired...



Gone already...



Lots of them retired... more are in line for the desert sun



As we speak, in North America, there are close to 200 of these airplanes sitting inactive, retired. They are economically obsolete.

In the 2Q of 2011, some airlines were paying, all-up, almost \$4 per gallon for jet fuel. Spreading this over 50 seats (or less) gets real expensive, real quick.

Key Trends

Major trends to watch



Traffic Demand: The US industry is not expanding – they are not looking to just grow passengers, but expand revenues


Revenues: Markets that can contribute the most revenue to the system are chosen. Others are culled out

Expansion: Airlines are not adding net new aircraft, and are less and less interested in competing with each other.

Small Community Air Service: As small airliners are retired, “regionalization” is the trend. Fewer airports serving wider geographic areas

Challenge – Airlines Are NOT Expanding



						
	Depts			Seats		
Carrier	2011	2012	% Change	2011	2012	% Change
AA	318,538	311,261	-2.3%	34,832,484	34,134,273	-2.0%
AS	70,311	70,338	0.0%	7,799,189	7,854,298	0.7%
B6	58,605	63,706	8.7%	7,830,150	8,452,550	7.9%
CQ	214,201	217,578	1.6%	20,200,127	20,105,752	-0.5%
DL	501,869	466,597	-7.0%	50,953,524	48,601,112	-4.6%
E9	42,558	32,649	-23.3%	4,240,917	3,808,798	-10.2%
EL	63,471	58,730	-7.5%	7,610,406	7,201,490	-5.4%
NK	14,815	17,941	21.1%	2,246,147	2,740,655	22.0%
UA	290,594	272,897	-6.1%	25,475,298	23,875,326	-6.3%
US	287,525	289,013	0.5%	26,479,452	26,905,549	1.6%
YX	9,899	12,811	29.4%	1,367,778	1,790,074	30.9%
YN	278,508	276,754	-0.6%	37,933,131	37,718,753	-0.6%
	2,150,894	2,090,275	-2.8%	226,968,603	223,188,630	-1.7%

Small Jet Strategies

Major trends we will be talking about today...

Conundrum: maintenance going up like a moon launch. At @ 40,000 hours they start to turn into financial pumpkins. That's at about 15 years old

Solution – at least for now: high-yield feed markets. American has found military points and some Essential Air Service points – but they're limited and not necessarily all-up profitable...

Feed Revenue & Distance To Hub: monitor RJ hub-feed performance – distance/local yield/flow contribution

Columbia is well suited for Delta/Memphis – and has potential for larger aircraft to that connecting hub



How Does Columbia Fit For The Future?

Columbia Area of Air Service Influence



- ➔ I-70 limits the east-west capture area – the ease of getting to STL or MCI outside of a 30-minute drive is a challenge.
- ➔ Drive-time catchment population approximately 181,000.
- ➔ Both STL and MCI will be co-terminals to the region – permanently
- ➔ Objective: assure that COU has adequate access from/to rest of globe
- ➔ Point: There will always be leakage to MCI & STL – but there is opportunity for another network carrier
- ➔ Raw conclusion – another 80,000 passengers are possible to recapture

Realities...

- Current service to the Delta hub at Memphis appears to be strong...

Near 80% load factors

Strong system feed to the Delta system

Positive Track Record

	P a s s e n g e r s	S e a t s F i l l e d
2011	74,610	77.3%
2010	62,060	72.9%
2009	50,548	69.4%

Full years ending 3Q

Challenges...

- Limited Frequency – limits potential traffic
- Delta service to Memphis is at full frequency – more flights not really possible
- Delta disposition of 50-seat jet fleet

Top Markets At Columbia

Note that 93% of passengers are connecting beyond Memphis –

Note that the “routing efficiency” is low for several markets – potential opportunities for additional air service

Rank	Market	P sgr	P DEW	% Originating	Avg Fare	% of Pax	Ticket Yield	Efficiency
1	MEM	4,865	6.7	50.39%	\$129.30	6.5 %	38.40¢	100.0%
2	ATL	3,252	4.5	54.98%	\$217.08	4.4 %	28.91¢	88.9%
3	BWI	2,747	3.8	52.91%	\$207.71	3.7 %	16.03¢	77.0%
4	DCA	2,632	3.6	73.49%	\$310.19	3.5 %	25.50¢	77.3%
5	MCO	2,616	3.6	74.60%	\$203.18	3.5 %	17.34¢	97.3%
6	TPA	2,473	3.4	75.64%	\$195.16	3.3 %	16.98¢	97.8%
7	DFW	2,129	2.9	64.71%	\$193.49	2.9 %	22.31¢	67.9%
8	BOS	2,022	2.8	45.71%	\$235.68	2.7 %	13.92¢	79.2%
9	RDU	1,960	2.7	40.50%	\$178.24	2.6 %	15.72¢	82.1%
10	DTW	1,822	2.5	47.19%	\$195.20	2.4 %	18.03¢	58.1%
Top 10	Totals	26,516	36.3	58.09%	\$201.33	35.5%	20.36 ¢	82.8%

Fare Comparisons – Not Onerous



Airport Markets Compare

2010Q4 to 2011Q3

Airports: COU, STL, MCI,

Rank	Market	COU		STL		MCI	
		Psggr	Gross Fare	Psggr	Gross Fare	Psggr.	Gross Fare
1	MEM	4,865	\$129.30	12,394	\$270.48	20,510	\$275.75
2	ATL	3,252	\$217.08	287,322	\$166.53	280,484	\$160.62
3	BWI	2,747	\$207.71	239,434	\$187.10	159,113	\$195.41
4	DCA	2,632	\$310.19	216,582	\$225.52	220,458	\$176.23
5	MCO	2,616	\$203.18	363,945	\$160.48	297,932	\$165.37
6	TPA	2,473	\$195.16	203,035	\$171.94	168,756	\$165.94
7	DFW	2,129	\$193.49	217,944	\$171.36	189,104	\$172.84
8	BOS	2,022	\$235.68	194,124	\$218.44	153,976	\$183.84
9	RDU	1,960	\$178.24	114,012	\$165.64	84,327	\$180.77
10	DTW	1,822	\$195.20	187,113	\$152.87	122,073	\$235.76
11	LGA	1,800	\$236.22	345,402	\$192.13	263,137	\$195.67
12	MSY	1,717	\$207.87	89,609	\$199.31	96,664	\$150.63
13	CLT	1,674	\$172.33	106,259	\$214.35	90,690	\$205.98
14	LAX	1,673	\$350.76	315,280	\$228.94	285,928	\$193.97
15	PHX	1,474	\$228.52	284,331	\$198.47	278,473	\$190.03

- Given the drive time to Kansas City and St. Louis, the fare differentials to most key destinations are not onerous...
- A pattern of three daily flights accesses all three of the Delta connecting banks at Memphis.

Comparative Hub Changes

- St. Louis & Kansas City are not being expanded in terms of capacity...
- But Memphis – Columbia's connecting gateway, is being reduced in 2010 by 18%
- Actually the Delta/Northwest hub at Memphis is down 38% in the past five years
- Open question: how far will Delta cut the hub...

	Departures				Seats			
	2011	2012	Chg		2011	2012	Chg	
St. Louis	85,211	85,937	726	0.9%	8,676,111	8,535,817	-140,294	-1.6%
Kansas City	66,358	65,689	(669)	-1.0%	6,847,952	6,806,773	-41,179	-0.6%
Memphis / Delta	66,349	52,369	(13,980)	-21.1%	4,831,252	3,982,396	-848,856	-17.6%

Gateways Reasonably Accessed



Distance-wise, Delta/Memphis is the best-situated connecting hub gateway – only 288 miles away

The hubs of American and United at Chicago/O'Hare are next – 315 miles

Remaining options – United/Denver, American/Dallas are simply too far to fly for a market the size of Columbia

Okay, Here Are The Options



Chicago: American is re-organizing in Chapter 11 – no expansion plans at the moment. Will likely cut 100 small airliners. BUT they are going to be looking for new revenue opportunities



Chicago: United has an ear for new markets – if they show real potential. But not an easy sell



Memphis: Larger aircraft (66-76 seat) are possible. Open question is size of the hub

Understandable Questions

- Can we get another airline into Columbia?
 - It is possible – the indications are that the market could be doubled in size – to roughly 150,000 annual passengers – but there are not many airlines to recruit.
- How is Delta doing? Can we add more flights?

Great, actually, given the circumstances. The challenge at Memphis is that Delta has only three connecting banks. That means three flights is the max. Larger aircraft are a potential

- What about incentives?

Almost imperative – to some degree. In fact, the whole risk must be covered or there will be no interest. Even with that, there is no guarantee that United or American will be interested, or have an airplane available.

Where From Here

- Care & feeding of Delta to assure they understand the contribution Columbia is making to their system
- Outreach to United regarding interest in adding Columbia to their route system. No guarantees – they are very cautious, but things change
- Outreach to American regarding Chicago access – at this time, the phone is not always answered there – big reorganizations are in process

Thank You